Pellegrino, Rachel

From: Brown, Brian (TM)
Sent: Friday, January 07, 2011 11:21 AM
To: Hickey, Toni
Subject: FW: Small Business Study

From: Morris, Craig
Sent: Friday, January 07, 2011 7:39 AM
To: Brown, Brian (TM)
Subject: FW: Small Business Study

From: Luke Santangelo (b)(6)
Sent: Thursday, January 06, 2011 7:58 PM
To: TMFeedback
Cc: Jane Warren
Subject: Small Business Study

PTO:

Below are my responses to your survey relative to litigation tactics of large vs smaller trademark owners, the "Small Business Study." Should you have any additional questions or even desire testimony, I would be willing to give my impressions if they would be helpful.

Luke Santangelo

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RESPONSES TO INQUIRIES:

1. Please identify whether you are a trademark owner or practitioner, and the general size and nature of your business or trademark practice, including the number of trademark applications and registrations your business has, or your practice handles. Please note that the USPTO will fully consider any comments you submit, even if you choose not to identify yourself in a particular manner.

   Response: I am a trademark practitioner in a 6 attorney firm who represents both smaller and larger firms as plaintiff and defendant in infringement, opposition, and cancellation proceedings. Particularly notable is that we have taken infringement cases involving small business parties to trial before judges and juries, and also in appeal in the federal court system.

2. In approximately the last 5 years, please describe any instances of which you have first-hand knowledge where a small business may have been the target of litigation tactics attempting to enforce trademark rights beyond a reasonable interpretation of the scope of the rights granted to the trademark owner.

   Response: In the case Vail Associates v. Vend-Tel-Co, Ltd., 516 F.3d 853 (10th Cir. 2008) we represented the prevailing party, Vend-Tel-Co, a small business comprised of one key individual with occasional support persons. This is a case that went to trial, the small business prevailed, went to appeal, and the small business prevailed again in defending its right to use a geographically descriptive mark. Vail, a $1B corporation that owns the ski area in the town of Vail Colorado situated in the Vail Valley in Colorado tried to assert that no one could use its mark in conjunction with skiing related items. Senior Federal Judge Matsch determined we were correct that Vail's claims were an attempt to assert its mark beyond a reasonable interpretation of the scope of the right

granted to this federal registrant. Incidentally, our victorious client also had its mark, 1-800-SKI-VAIL federally registered. Vail Associated definitely used its size betting on the fact that the smaller company would not be able to withstand its legal might and budget and that of a national large law firm. They were right; the small business could not. In fact we would estimate that less than 1 in 1,000 small businesses would have the willingness to withstand the personal affronts faced in that litigation. Key economically was the fact that when that smaller company was on the verge of being overwhelmed, our firm could not accept such an injustice even though it could not afford to defend itself. Thus, to Vail Associate's surprise, Vend-Tel-Co ended up being able to defend itself through trial and even through a victory at the Tenth Circuit. This was clearly a case of the larger entity using its budget to try to obtain a result it was not reasonably entitled to. Not many firms could afford to represent a client in this situation as trial and appeal involved hundreds of thousands of dollars in foregone legal fees.

In the case of Cache La Poudre Feeds, LLC v. Land O'Lakes Inc. (D.Colo 4-CV-0329) we represented the prevailing party, Cache La Poudre Feeds, LLC, a small business comprised of a four person family business with a registered trademark PROFILE for animal feeds. This is a case that went to trial, the small business prevailed with a jury verdict of $15.2M. Land O'Lakes, a $7B corporation that does food products (butter, included) and animal feed tried to assert it had rights and was not infringing our registered mark. Chief Federal Judge Daniel presided over a jury verdict that we were correct that Land O'Lakes' claims were an attempt to assert a non-existent mark and to defend against a mark that Land O'Lakes had willfully infringed.. Again, our victorious client also had its mark, PROFILE registered. The case has now been amicably resolved. Land O'Lakes definitely used its size betting on the fact that the smaller company – and even we conclude our firm -- would not be able to withstand its legal might and budget and that of its multinational law firm. They were right about the client but wrong about our firm. In this instance we would estimate that less than 1 in 10,000 small businesses would have the willingness to withstand the challenges of such a jury trial and that 1 in 1000 law firms would have the ability to thoroughly pursue such a case. Key economically was the fact that our firm could not accept such an injustice even though the small business again could not afford to protect itself. Thus, to Land O'Lakes chagrin, Cache La Poudre was able to defend itself against counterclaims, through trial, and through the threat of an appeal and retrial. This was clearly a case of the larger entity using its budget to try to obtain a result it was not reasonably entitled to. Not many firms could afford to represent a client in this situation as a jury trial and appeal involved millions of dollars in high risk legal fees that the small business cannot afford.

We also represent a smaller business currently in a trademark opposition against a much, much larger corporation with a much much larger national law firm who is proposing trademark rights in a manner that we believe is unreasonable. That case is as yet unresolved and is before the TTAB so I am not yet identifying it. It may be resolved by a TTAB decision anticipated in late spring at which time it may be available for more specific comment as we believe it is also a clear case such as you desire.

3. Please describe situations where you have been involved in receiving a cease-and-desist letter. Anecdotal information might include, but is not limited to, a description of whether the letter resulted in the small business ceasing its use of one or more marks, or whether the sender of the cease-and-desist letter withdrew or abandoned its demands against the small business owner.

Response: We frequently see cease and desist assertions that are meritless. In fact I would estimate that our small firm sees roughly one a quarter. While over the initial years of practice most of the smaller clients simply had not choice but to capitulate, now perhaps because of our knowledge and reputation, we so see some larger companies back down off of initially arrogant positions one they realize that a firm such as ours could represent an unpredictable adversary. From our prior experience, this did not used to happen and the threat often forced the small business to capitulate even though it was correct. As relayed above, however, it should be understood that this still remains a 1 in 1000 or 1 in 10,000 situation for the larger company. From our earlier experiences, we know that larger companies often will make statements like one I received just today, Jan 6, 2011 from a large firm representing a larger corporation (it happens to have been in a trade secret matter but the sentiment is common): "[you tell your small client that] damn straight it can get real expensive real fast." This is common in the cease and desist world and it is very, very intimidating to many small businesses. It is clearly a technique use to bully the small business owner to achieve results that are unreasonably aggressive. This exists and is prevalent and a widespread tactic used by larger litigants. It is worthy of consideration to the full extent you can because injustice often occurs.

4. Please describe situations where you have been involved in trademark litigation in state or federal courts. Anecdotal information might include, but is not limited to, a description of whether the lawsuit settled on the basis of the small business agreeing to cease its use of one or more marks, or on the basis of the plaintiff withdrawing or abandoning its trademark-related allegation(s). Alternatively, relevant information might include whether such lawsuits resulted in a court judgment and the nature of the judgment (such as requiring the small business to cease its use of one or more marks, assessing monetary liability (damages, lost profits, or attorneys' fees) against the small business, requiring the plaintiff to pay the defendant's attorneys' fees, or imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure).

Response: The above comments seem to address this question. However, it is also noteworthy that in the Land O'Lakes matter the larger litigant early on sought sanctions under Rule 11. It partially lost and partially won those

sanctions. So, on the Rule 11 issue, it would be highly valuable for your body to review the nature and actual documents of this precise example of how a larger corporation can attempt to bully under Rule 11. The documents of record show in concrete terms how aggressive a large company can be and how it can use litigation tactics to try to make the matter, adversary, and even opposing attorney simply go away and test the adversary's mettle early on in a litigation. I am proud to report that in that instance the larger adversary was wrong, but again this was a 1 in 10,000 small business. If your body wants the court pleadings in that Rule 11 proceeding I would be happy to email them; they are quite instructive of the tactics often used.

5. Please describe situations where you have been involved in opposition/cancellation proceedings instituted at the USPTO against small business owners. Anecdotal information might include, but is not limited to, a description of whether the proceedings settled on the basis of the small business agreeing to abandon its application(s) for one or more marks, or whether the proceedings settled on the basis of the plaintiff withdrawing or abandoning its notice of opposition or cancellation petition. Alternatively, relevant information might include a description of whether such proceedings resulted in a decision by the USPTO Trademark Trial and Appeal Board ("TTAB") refusing to register/canceling one or more marks owned by the small business, or whether such proceedings resulted in the TTAB imposing sanctions against the plaintiff under Rule 11 of the Federal Rules of Civil Procedure.

Response: See above.

6. Do you think trademark "bullies" are currently a problem for trademark owners, and if so, how significant is the problem?

Response: Unquestionably they are a problem for the small business. The problem is very very significant and the tactic is widespread. Further we are confident that large companies frequently bank on the following metric/logic:

> If we infringe or over-assert rights against a small company, only 1 in 1000 will have the budget or moxy to defend against our onslaught and so if we get tabbed for our profits only in 1 out of 1000, we still get to keep our ill-gotten gains 999 times. Even then, courts don't understand this logic and will only view that 1-in-a-1000 event in isolation and we still come out ahead. Cool; go for it.

Furthermore, I know that in an identical dispute when it is big company versus a big company, the metric is completely different and resolution and rights get candidly discussed with a focus on what the law provides, rather than what one can afford to assert/defend. Injustice is the result.

7. Do you think aggressive litigation tactics are more pervasive in the trademark area than in other areas of the law?

Response: Yes because it is a less understood arena for the small business owner and because the larger company has the option of running an even higher bill for the other side.

8. Do you think the USPTO has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should the USPTO do?

Response: Yes. As an instrument for the public in general, the PTO should take into consideration in all opposition and cancellation proceedings the relative budgets and ability to present and support arguments. Many, many representatives for smaller businesses in particular do not have the knowledge and experience to go against a larger national firm. That does not make the small business wrong and should not mean the small business should lose. I applaud your efforts to avoid allowing the PTO to be a large corporation tool. Further, the PTO should be more sensitive to unregistered, common law rights and should be less proceduralistic. It should rely on more 'what is right' rather than 'who filed the proper paper or made the right statement in a document.' Just because procedural aspects make a decision easier is not a correct perspective. The facts should control, not the formalities, as it appears the PTO often tends.

9. Do you think the U.S. courts have a responsibility to do something to discourage trademark bullies? If yes, what should the U.S. courts do?

Response: Yes. Consider the same as above, but also it should realize that PTO outcomes are often procedurally driven, not justice or true facts driven. Furthermore focus should be on what wrongdoing occurred rather than how can we let that small business get those big profits.

10. What other U.S. agencies may have a responsibility to do something about the problem?

Response: I am considering this and have not yet developed a concrete recommendation.

11. Do you think Congress has a responsibility to do something to discourage or prevent trademark bullying? If yes, what should Congress do?

Response: Yes. Congress took great steps when it passed the Lanham Act section providing profits as a remedy under the logic of "making piracy unprofitable", however in practice this has been watered down. Specifically, the requirements developed by the judicial system limiting profits to only when there is either demonstrable loss, willfulness, or the like unnecessarily limit small businesses and may even encourage larger wrongdoers. Specifically, even if profits do get awarded and are not lopped in thirds by a federal judge under the congressional statute, the large company still appears incentivized to infringe because 999 times out of 1000 the larger company prevails for practical reasons and gets to keep all its ill-gotten profits. Perhaps a Qui Tam type of cause would lead to more reasonable conduct.

12. Please provide any other comments you may have.

Response: I feel strongly about these issues and have the small business type of experience right in this space. If you have more questions, want more information, or desire testimony, I am frequently at the PTO and would be more than willing to provide whatever support you might find helpful as I support and applaud your efforts.
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